

THE ADMINISTRATION OF A PROGRAM TO
ENCOURAGE THE FORMATION OF
CONDOMINIUM HOUSING
IN THE CITIES OF
YEREVAN AND VANADZOR
ARMENIA

REPORT AND EXHIBITS

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Urban Development and Housing Division

By

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INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION
USAID Contract No. NIS C.C.S-0008-C-00-2056-00
Project No.XXXX
Task Order No. 101
Shelter Sector Reform Program for
The Newly Independent States of the Former Soviet Union

YOU ARE INVITED TO ATTEND

A CEREMONY REGISTERING THE FIRST
HOUSING CONDOMINIUM ASSOCIATION
IN THE REPUBLIC OF ARMENIA

11:00 a.m.

WEDNESDAY 8 NOVEMBER 1995

Office of the State Registrar
Government House Three
Room 613

Participating Organizations:

Government of the Republic of Armenia
United States Embassy
Office of the Mayor of Yerevan
United States Agency for International Development
International City/County Management Association

The registration of the first housing condominium in the history of Armenia is an epic event that culminates six years of housing reform programs within the Republic of Armenia. The United States, acting through USAID/ICMA, has been pleased to be a part of the reform efforts for the past three years. The formation of condominiums was authorized last May by the Governmental Decision on Co-Ownership Entities (Condominiums) mandating the formation of condominiums in all buildings where over half of the apartments are privatized, and allowing for the voluntary formation of condominiums in all buildings where over half of the apartments are privatized, and allowing for the voluntary formation of condominiums in all other multifamily buildings. This process represents a significant step in accommodating an organized transfer of property from the public sector to private owners, and is considered a critical step in Armenia's transition to a market economy.

ABSTRACT

During the last half of 1995, ICMA trained resident facilitators conducted a series of USAID sponsored condominium formation seminars for the largest cities in Armenia. The seminars were an outgrowth of a concerted effort by USAID/ICMA to assist local governments in complying with the May 6, 1995, Government Decision of the Republic of Armenia mandating the cities to implement a program to convert the multifamily housing stock to condominium ownership by the end of 1995. A condition for additional advisory assistance from USAID/ICMA required that cities establish and staff an Office of Condominium Services to administer the condominium program and provide training and assistance to owners seeking to register condominiums.

This paper describes the measures taken and the assistance provided in establishing an Office of Condominium Services within the government organizational structure for the capital city of Yerevan, and within the government of the city of Vanadzor, an industrial city still working to recover from the devastation caused by the 1988 earthquake. The first condominium association in Armenia was registered utilizing the training and materials provided by USAID/ICMA during this task order and that previously mentioned. A number of recommendations for replication of the program are included in this report as are the materials developed under this task order.

APPENDIXES

- I. EXHIBIT A. The Registration Documents for the
H&H Condominium.....
- II. EXHIBIT B. Decision #39/11 of the Executive
Committee of the Yerevan City Council
Of Deputies.....

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ACKNOWLEDGMENTS

A great deal of work contributed to the successful completion of this task order and the recordation of the first private residential condominium in the Republic of Armenia. The author made a modest contribution to this seminal event. The real work was done by the residents themselves, by the government officials and the dedicated staff and contractors of ICMA Yerevan. While acknowledging that numerous people have contributed to the success of the task order, certain individuals have had a direct involvement in the accomplishments reported herein and deserve recognition. We especially acknowledge the contributions of:

Steven J. Anlian, ICMA Resident Advisor
Diana Avetian, Project Manager

Anahit Karapetian, Translator
Melik Karapetian, Office Manager

II. EXECUTIVE SUMMARY

In a small room behind a neighborhood postal station in Yerevan, Armenia, a small group of owners of recently privatized apartments came together and adopted organizational documents to register their homes into a condominium association. This epic event by ordinary Armenians coming together in a simple setting will be remembered as an event that launched Armenia on a course of housing reform that will eventually change the way all Armenians are housed and will assure their full participation in the decisions affecting the quality of their housing.

The condominium program in Armenia began in May, 1995, when the Republic of Armenia adopted a Governmental Decree on Co-Ownership Entities climaxing six years of work on housing reform measures and a three year collaboration with USAID/ICMA. Among the housing reform accomplishments achieved with USAID/ICMA assistance was the launching of a nationwide program to encourage the conversion to condominium ownership for all buildings having more than half of the apartment units privatized. Soon after adoption of the Governmental Decree mandating the conversion to condominium ownership, Michael E. Kucharzak, author of this report, was sent to Armenia to develop and implement a training program for local government officials designed to help the largest cities in Armenia comply with the Decree by registering those buildings mandated to be converted to condominium ownership by the end of 1995. The task order required that Kucharzak train local instructors so that they will be able to complete the training on an additional 35 cities by year end. The task order was successfully completed, and the resident trainers are offering the training on a schedule that will meet the goal established for the program.¹

Following the task order visit and the training of the seven largest cities, a study tour for select program participants provided additional training in the operation and management of condominiums in the United States. The positive reception of the condominium conversion program led USAID/ICMA to send the author back to Armenia for two weeks in October-November to work with the local trainers and the project manager in the next phase of the condominium conversion program, the establishment of an operating Office of Condominium Services, and the registration of the first condominium within the Republic of Armenia. The task

For additional information regarding the task order consult Condominium Housing Formation In The Republic Of Armenia, Kucharzak, Michael: ICMA Report July, 1995 Project No. 110-0008 Task Order 101

order for this second visit by the author required providing technical assistance to two cities, the capital city of Yerevan, and the industrial city of Vanadzor, both of which demonstrated an excellent grasp of the program requirements and a strong political will to accomplish the task as evidenced during the USAID/ICMA training program and the United States study tour.

This report is a detailed account of the work accomplished during a two-week assignment in Armenia where the author, as an ICMA TDY consultant and the staff of the ICMA office in Yerevan, assisted the cities of Yerevan and Vanadzor in establishing an office of condominium services, and the registering of the first condominium associations in Armenia.

Completion of this task order helps fulfill the objective of the republic and USAID/ICMA to continue to move toward a phase out of the consulting assistance provided by the United States to the condominium formation program while assuring that adequate training and support materials have been provided to the cities to enable local trainers and advisors to complete the housing privatization program without assistance from USAID/ICMA. The goals of the mission and the objectives of the task order have been successfully accomplished.

III. BACKGROUND

Armenia is located in the Caucasus region and encompasses an area nearly identical in size to the state of Maryland. Approximately 1,300,000 of the 3,415,566 inhabitants live in the capital city of Yerevan. Armenia is a predominately Christian country having established the Armenian Apostolic Church in the second century A.D. Surrounded by predominately Muslim countries have left Armenia with a legacy of strife, warfare and unrest that continues sporadically with the last fighting occurring in 1990 along the boarder with Azerbaijan. An embargo imposed along the Nagorno-Karabakh region adjoining Armenia is an outgrowth of a conflict which has been going on since 1988, sparked by a dispute over the sovereignty of the region, an area within Azerbaijan populated by ethnic Armenians. Further hardships came when in December 1988, a major earthquake struck northwestern Armenia, killing over 25,000 people and destroying or severely damaging most of the factories and the housing, leaving over 500,000 homeless. Although numerous countries responded with aid to construct new, and rebuild salvageable elements of the cities including: hospitals, factories, schools and dwellings, many Armenians in the area affected by the earthquake are still living

in housing that was intended to be temporary. The extent of the devastation, and the ever growing demand for foreign government disaster assistance will require that many Armenians will remain in the temporary housing as the only housing resource available in spite of the best efforts of USAID, World Bank, and numerous other countries and philanthropic organizations to improve the living conditions of the residents of the earthquake zone of Armenia.

A war related embargo imposed by Azerbaijan has resulted in very difficult conditions affecting the movement of goods and materials in and out of Armenia through the traditional northern routes to Georgia which, due to a lack of a constant supply of energy production via the same routes, has severely limited economic expansion. Today, Armenia is producing only 30 percent of the electricity needed to operate the country. Factories are idle and residents live with electrical and water service for only a few hours a day. Yet the hardships they endure are accepted as a natural outcome of a changing political structure. On September 23, 1991, Armenia declared its independence, providing the opportunity for sweeping economic reforms to create a free market economy, and granting to Armenia for the first time in its 1,988 year old history, an independent, free and democratic form of government. The true wealth of Armenia is her people, who in the face of extreme shortages and hardship and an uncertain future, are willing to undertake necessary reforms to assure a continued free republic.

IV. FUNCTIONAL AND ORGANIZATIONAL STRUCTURE OF THE YEREVAN OFFICE OF CONDOMINIUM SERVICES

A. MISSION

The principal mission of the Office of Condominium Services (OCS), is the implementation of the government adopted housing policy. In order to grant the OCS the status and authority to accomplish the assigned mission, the OCS has been formally established by the Executive Committee of the Yerevan City Council. The executive committee also appoints the Head of the Office of Condominium Services following their established policy of appointing the city's line managers. Before the work on this task order began, the executive committee assigned the duties for the condominium program to the Yerevan Department of Public Buildings/Structures Management headed by Kamo Khachatryan and appointed Ruben Ter-Grigorian as the designated head of the Office of Condominium Services for the City of Yerevan.

Khachatrian and Ter-Grigorian petitioned ICMA to provide a temporary housing advisor to assist the city in establishing the OCS.

Prior to beginning the work on this task order, the SRCCM established the following tasks for the OCS to accomplish in fulfilling its mission:

- È The promotion of the Condominium Regulations through mass media.
- È The establishment of an information service within the office.
- È Serve as initiator of condominiums in buildings where over half of the dwelling units are privatized and the formation of a condominium is mandatory under the condominium regulation
- È Be responsible for establishing the physical boundaries and the assignment of buildings comprising the condominium property.
- È Be the designated city agency to provide training and allocation of personnel assigned to work on the condominium program.
- È Be responsible for assisting registered condominiums in the process of developing work specifications and the soliciting of bids from maintenance firms and management agents.

B. ORGANIZATION AND STRUCTURE OF OCS

In order to adequately perform the tasks and accomplish the mission, the SRCCM envisioned a delegation of duties within the office into eight subdivisions each staffed with specialists that the preliminary documents identified as "necessary." The SRCCM specifically identified the following staff positions:

- È Condominium Facilitators -- whose principal role will be education, publicity and community organization.
- È Legal Experts -- whose duties will require the interpretation of the government adopted Condominium Regulations and other regulations and laws affecting the program

È Technical Experts on building conditions -- who will be responsible for establishing a record of the physical property being considered for registration as a condominium. The SMCCM further identified specific job titles requiring special training or certification. The specific staff positions are:

È Structural Engineers

È Mechanical Engineers

È Electrical Engineers

È Architects

È Property managers -- who will be responsible for liaison activities between the established condominium associations, the city and other support agencies.

È Computer Specialists -- who will establish and maintain data management and accounting systems.

È Accountants -- who will assist the emerging condominiums in gaining an understanding of the fiscal aspects of managing the association.

È Office Managers -- who will manage the office and supervise the following staff:

È File Clerks

È Clerical Assistants

È Personnel Specialists

V. ACCOMPLISHMENTS IN IMPLEMENTING THE YEREVAN OFFICE OF CONDOMINIUM SERVICES WORK PLAN

A. ACTIONS TAKEN PRIOR TO THE START OF THE TASK ORDER

1. Accomplishments of the City of Yerevan

During the period immediately following the first task

order which provided USAID/ICMA training for the city of Yerevan officials and the beginning of this task order, the city of Yerevan accomplished the following:

- È Assigned the responsibilities for the administration of the condominium program to Kamo Khachatrian, Head of the Yerevan Maintenance Department.
- È Established an administrative Office Of Condominium Services within the central administrative offices of the Maintenance Department.
- È Appointed Ruben Ter-Grigorian to head the Office of Condominium Services.
- È Hired Gayane Fandunts as Office Manager for the central administrative Office of Condominium Services.
- È Hired 16 Facilitators and assigned them to specific *Zshek* districts.
- È Established a goal to have 60 condominiums registered before the end of the year, and assigned the task to specific facilitators and *Zshek* districts.
- È Established a policy whereby Khachatrian and Ter-Grigorian meet with the facilitators on a weekly basis.

2. Accomplishments of ICMA

Prior to Kucharzak's arrival, ICMA Yerevan established an office within the newly established Office of Condominium Services located within the central administrative offices of the City of Yerevan maintenance department. ICMA Project Manager Diana Avetian was assigned to the office.

B. THE DEMONSTRATION PROJECT

For several months, the Yerevan ICMA office has been working with the leadership of an emerging condominium that has demonstrated strong initiative in forming a condominium consisting of 432 dwelling units. Prior to the start of this task order, the condominium had completed the model forms for registering a condominium provided by ICMA, had held an

organizational meeting, elected officers and submitted the completed documents² to the Yerevan City Council for a Decision, the legal designation establishing the condominium, and to the state registrar for recordation. On October 20, 1995, the city council issued Decision 39/11 Organizing a Condominium in Buildings 1 and 3, Yerevan Kochar Street and 20, 22 and 24 Vardanants Street, and named it as the "H&H" Condominium.³ The name comes from the first names of two resident leaders, Haik and Hovik who organized the residents and moved the association through the formation and application process. On November 8, 1995, after a brief ceremony, the H&H condominium became the first condominium association to be registered in the Republic of Armenia.

On November 4, Kucharzak was invited to attend a meeting of the association board. In addition to the six board members, ten other residents were in attendance. Working from a prepared agenda, the board approved the organizational structure of the association, assigned committee chairs and began the hard work of determining the sources of income including the owner assessments, and the identification of long- and short-term goals that the association could address. The board, at the suggestion of the president, added a cabinet and agreed to amend the charter to include the administrative body which is intended to deal with issues that the president cannot decide on his own, but cannot wait until the 19 member board can meet. The board is currently negotiating with the city in an effort to rent a vacant commercial space within the building that will be used as the association office. A number of staff positions were proposed for discussion including: a property manager, an accountant and an attorney. In addition to the administrative staff, the board discussed the possibility of hiring an electrician, a plumber and a janitor. One of the directors suggested seeking sponsors for the association, including the possibility of receiving a grant from the United States. Having raised the possibility of receiving a grant from the United States, the president presented a request to the author accompanied by a 29 item list carefully typed in English. Kucharzak disabused the board from pursuing the U.S grant idea, and suggested that the board focus on other local sources of generating revenue. The discussion turned to the compensation that would be paid to the staff and the need to determine the amount of income that could be generated so that the board could better determine the number of staff positions

See Exhibit A, The Registration Documents for the H&H Condominium

See Exhibit B, Decision #39/11 of the Executive Committee of the Yerevan City Council of Deputies.

that could be supported. The board had a good grasp of the complexities of hiring personnel as evidenced by the discussions that included an expression of concern that the association pay a living wage to their employees, taking into account that the government will withhold 37 percent of the gross salary for the social tax. Further evidence of the sophistication and business acumen of the board was evidenced by the decision to explore the installation of water meters in an effort to conserve water and to lower the cost to the owners by only paying for the actual consumption rather than the current per person assessment. The suggestion assumes that a progressive consumption rate schedule will be adopted by the city. The suggestion parallels the desire of the head of maintenance to encourage a demonstration of the energy conservation that could be realized through the metering of the pipe supplied utilities. The board decided to assign the task of determining the staffing needs, and the development of a list of suggested short and long term tasks that could be considered by the board to the committees for study with a report to the board due in a week.

Among the problems confronting the association are:

- È The lack of equipment for the office and the maintenance staff
- È The need for the republic or the city to amend the legislation to obligate commercial spaces contained within the structures comprising the association to be included in the property roster. This would permit the association to collect the commercial rent, a potentially important source of income for the association.
- È The need for clarification of the services that the city will continue to provide to the condominium, specifically, a clarification of the extent of responsibility for the utility supply system. The association needs to know if they are responsible for the utility supply system within the structures and the city responsible for the supply system outside the building envelope.

VI. OBJECTIVE OF THE TASK ORDER

The task order was intended to help create a local capacity to assist the process of forming effective condominium associations on an ongoing basis.

The principal mission of the Office of Condominium Services (OCS), is the implementation of the government-adopted housing policy. In order to grant the OCS the status and authority to accomplish the assigned mission, the OCS has been formally established by the Executive Committee of the Yerevan City Council. The executive committee also appoints the heads of the city departments, including that housing the Office of Condominium Services. Before the work on this task order began, the executive committee assigned the responsibility for the condominium program to the Yerevan city maintenance department and appointed its top administrator, Kamo Khachatrian, to head the condominium conversion effort. Kamo Khachatrian appointed Ruben Ter-Grigorian as top manager of the Office of Condominium Services for the City of Yerevan, and established an office in the central administration building of the maintenance department. Khachatrian petitioned ICMA to provide a temporary housing advisor to assist the city in establishing the OCS. The fulfillment of that request resulted in the task order that is reported upon in this report.

VII. THE TASKS

A. PRE-TRIP PREPARATIONS

Prior to leaving for Armenia, Kucharzak reviewed the last task order and the resulting report from the previous trip he made to Armenia to help establish a training program for local government officials implementing the program to register condominiums. Because the Yerevan State University 201 course training materials have not been translated into English, and available to him before he left, he reviewed the text ABCs A Basic Course for Association Leaders by Katherine Rosenberry,⁴ which John Lawton said was the basis upon which the 101 course was developed. The material in ABCs provides a basic understanding on the operation, legal status and financing of owning and managing a condominium association in the United States. Kucharzak believed the material would be helpful if presented to the staff of the Office of Condominium Services. He also felt that the basic material should be presented in a handout or workbook format similar to the materials prepared for Kazakhstan following the introduction of the training for city officials. To assure that adequate materials were available once

ABCs A Basic Course For Association Leaders, Rosenberry, Katherine
Community Associations Institute, Alexandria, VA 1994

Kucharzak arrived in Armenia, he visited several libraries and selected a number of books on the purchase, ownership and management of condominiums. Selected material was photocopied and a book that may prove helpful was brought along to Armenia. In addition, materials prepared under other USAID/ICMA contracts for Romania, Kazakhstan, as well as the final report from the first visit to Armenia, and a number of job descriptions that may be helpful in identifying staffing needs were packed for the TDY visit.

B. MEETINGS WITH LOCAL OFFICIALS TO HELP DESIGN THE DEPARTMENT, IDENTIFY TASKS, STRUCTURE, STAFFING, PHYSICAL SPACE, EQUIPMENT AND BUDGET.

1. Meetings with the Top Administrators of the Office Of Condominium Services

A half day meeting with ICMA Resident Advisor, Steven Anlian, and Project Coordinator, Diana Avetian, provided the author with the background on the current status of the condominium program in Armenia. Considerable progress has been made on the first phase of the program to encourage the formation of condominiums. On the encouragement by the head of the *Haibnakkomuntnt*, the maintenance service organization for Armenia excluding the city of Yerevan, the ICMA staff expanded the training program from the original 26 cities to the current goal to train 44 of Armenia's largest cities. A legal problem has required the intervention of the Cabinet of Ministers or the Prime Minister to introduce a correcting piece of legislation that will amend the Decree on Co-Ownership Entities by deleting the requirement that the operation of condominium associations be based on the national law on Enterprises and Entrepreneurial Activities which required the condominiums be registered as non-profit entities. Without the modification, condominium associations will have to demonstrate that they have a set amount of assets on deposit in a state bank. This would be an insurmountable problem for the emerging condominiums. Work on the task order continued pending the resolution of the legal conflict.

The scheduled meeting with Kamo Khachatrian, head of the Yerevan maintenance department, was held. Ruben Ter-Grigorian, head of the Yerevan Office of Condominium Services, was absent due to illness. The meeting resulted

in a beneficial exchange of ideas on the condominium program. Khachatryan provided the author with background information as to how the condominium program came to be assigned to the city maintenance department.⁵ Khachatryan stated that he is committed to the privatization of the city maintenance departments (*Zshek*) and has developed a plan for privatization that has been submitted to the office of the mayor, but has not been acted upon.⁶ He stated that the mayor is interested in eliminating the middle management piece of the maintenance structure, the eight district maintenance offices, leaving the central administration and the 54 *Zshek* offices. The privatization of the city maintenance functions is a major concern to the city maintenance staff and is a critical area that requires more attention to assure that the maintenance personnel do not undertake measures to derail the housing reform efforts of the government and USAID/ICMA.⁷

Kucharzak acknowledged the work accomplished by the city in establishing the Office of Condominium Services. He stressed that the office on the first floor of the city's central maintenance administration building is adequate as a central administrative office, but the structure of the OCS will result in the residents identifying the OCS with the district *Zshek* offices. This may result in a perception of the quality and delivery of services as "business as usual." Kucharzak further stressed the importance of the facilitators and the neighborhood site offices (54 *Zshek* offices). The key role of the facilitators requires that they be available for meetings with owners at times that are convenient to the owners (evenings - weekends), and that the neighborhood offices be staffed with knowledgeable clerical support staff that can distribute an owner's packet containing the forms pamphlets and necessary information to enable owners to begin the paperwork necessary in recording a condominium association. Care must be taken to keep the facilitators from becoming 9-6 bureaucrats.

A review of the documents submitted by a volunteer condominium association demonstrated that the model documents developed by ICMA are adequate to register a condominium.

See Exhibit C, the Decision of the Executive Committee of the Yerevan City Council directing the reorganization of the city maintenance department.

See Exhibit D, Draft Decision regarding the reorganization of the City Maintenance functions.

See Recommendations p. 35-39.

2. Meetings with Zshek Administrators

a). Meeting with the administrator of Spandarian 2/2.

The ICMA condominium work team visited the proposed condominium demonstration site, and met with the administrator of Zshek Spandarian 2/2, Derenik Davtian. The four building apartment complex fronts on Knuniants, Vardanants and Nalbandian streets. Davtian stated that there are 586 apartments contained in the three buildings comprising the potential condominium. Approximately 447 apartments are known to have been privatized. He stated that it is possible that more than 76 percent of the units are privatized since it is known that some apartments have filed for privatization and the Zshek is not always notified that the process has been completed.

Davtian said that he is having difficulty in getting support for condominium formation from the Office of Condominium Services. The facilitator that is responsible for the district refuses to work with the owners saying that he is assigned to another complex. Davtian said that the leadership of the apartment community is ready to proceed with the organizational work needed for registration, and that in his opinion, the community would be successful and ongoing since the site contains all of the necessary elements for private management including office space, an electrical substation, and its own water main connection.

When asked for data on the current assessments for housing services, Davtian provided the following information:

È The current assessment for rent is one dram per square meter per month. The size of the apartments are:

One room apartment	17-20 square meters
Two room apartment	32-35 square meters
Three room apartment	45-50 square meters

Four room apartment

60 square meters

- È Water service is assessed at 227 drams per person.
- È Electrical service is individually metered and charged at the rate of 12 drams per kilowatt hour.
- È Trash removal currently is assessed at 84 drams per person. The rate is reviewed every two months and increased as necessary.

Davtian stated that the monthly charges for communal services exceeds the average monthly salary of the typical pension of the residents.

The Spandarian 2/2 Zshek serves 98 buildings. Presently, the monthly compensation for a janitor is 2,300 Drams; however, most employees work two shifts and earn a base salary of 4,600 drams. A bonus is often given averaging 2,500 drams, bringing the total compensation for a janitor to 7,100 drams per month.

A trade specialist such as an electrician or a plumber would earn 2,700 drams and often receives a bonus of 3,000 for a typical monthly salary of 5,700 drams. Although the trade specialists do not typically work more than one shift, tradition demands that residents pay extra money to the Zshek specialist in order to get repairs properly corrected in a timely manner.

Author's Note: It is this hidden housing cost that is not taken into consideration when the city officials discuss the cost of housing and the ability of the residents to pay market rates.

After the privatization of the maintenance services, Davtian envisions operating the office as a free market enterprise employing the best of his current employees. He stated that he has a network of trade specialists within the community who are not part of the Zshek system whom he has nurtured to assure that he can provide the services and tasks required by the residents. Once maintenance is privatized, Davtian expects to be able to pay his employees more than they are currently earning under the city administered

system, and understands that the market based maintenance must provide quality repairs and remodeling or the owner-customers will look elsewhere for maintenance contractors.

The author asked if Davtian expected to have difficulties in obtaining materials and equipment necessary to maintain the buildings once the maintenance functions have been privatized. The question comes from experience in other republics where the access to building materials and the ownership of specialized or heavy construction equipment remains as a government controlled monopoly. Davtian did not believe that he will have a problem. His understanding of the privatization process will result in a transfer of the current Zshek office, equipment and stores directly to him and his staff.

b). Meeting with the administrator of the Myasnikian District.

Avetian and Kucharzak met with Hrayr Sahakian the district manager of the largest and highest revenue generating maintenance district in Yerevan, the Myasnikian district. This center-city district includes the opera house and the "Triangle" demonstration, an ICMA project to demonstrate the maintenance and rehabilitation of an apartment community utilizing commercial contractors as well as the city maintenance operations. Sahakian expressed his displeasure with the "Triangle" project and stated that the only difference with the appearance of the Triangle project is that the common areas are now cleaner than they were before. He went on in voicing his opinions by stating that he did not believe that the condominium movement would ever be successful.

Among the concerns he expressed addressed the problem of the absentee landlord. He stated that in a 100 unit building, you could find that 25 percent of the units are not occupied by the owners. This is because the owners own more than one unit, or more commonly, have taken permanent residence outside of the country, either in another republic where jobs are available, or in another country with a large Armenian population such as Los Angeles. He stated that the absentee owned units do not pay their housing costs,

and will become a financial burden to a condominium. He further stated that problems that arise in the vacant unit may cause damage problems to abutting units. According to Sahakian, the condominiums will face an additional economic problem since approximately 10 percent of the owners are insolvent and not able to pay their housing expenses. According to Sahakian, that leaves about 60 percent of the owners in a typical building to carry the full cost of operating the condominium.

Sahakian said that the city needs a demonstration that the condominium concept will work. He again stated that little was learned by the Triangle demonstration. He stated that the country needs legislation to permit the confiscation of apartments where the owner refuses to pay the fees and assessments. He further suggested that a declining subsidy be adopted by the government, thereby creating a transitional period to condominium management.

According to Sahakian, the condominium program needs to involve people who have the expertise to coordinate housing services. Not surprisingly, he saw the *Zshek*, which he locally administers, as the logical source of the expertise he believes is needed. Perhaps the most outrageous statement that he made was that he expects to be appointed as president of a master association of condominium associations to be formed within his district. He left a clear message with the author and the ICMA staff present that he administers the largest maintenance budget in the city, 10 million dram a month, and has no intention of having another person or entity, public or private, dethrone him from his post.

3. Meeting with the Lead Facilitators for the Eight *Zshek* Districts.

On every Wednesday, the lead facilitators for the eight *Zshek* districts meet with their supervisor, Ruben Ter-Grigorian, to discuss the progress of the condominium program, and to receive direction. During the visit on this task order, Kamo Khachatrian, Ter-Grigorian's supervisor, decided to hold the weekly meeting in his office and invited the ICMA project team to attend. Unfortunately, Ter-Grigorian was absent due to illness. Khachatrian convened

the meeting with six of the eight districts present. He explained that the city has hired, or really reclassified, 16 engineers to serve as facilitators and that some districts have three facilitators assigned and some only have one, but most of the districts have two facilitators, and that the meeting normally has one representative for each district. Khachatrian explained that the weekly meeting is intended to permit the facilitators to report on the progress they are making in forming condominiums within their assigned districts. He has established a goal that each *Zshek* unit within each district have a condominium registered by year end. With 54 *Zsheks*, he is expecting the individual *Zsheks* to each contribute to meeting his year end target of 60 condominiums registered. He further stated that the problems with the Decree are preventing the registration of condominiums, and unless corrected, may impede the ability of the office in meeting its goal. He stressed that the difficulties with the law should not delay staff activities to encourage condominium formation.

It was apparent that Khachatrian was disappointed that Ter-Grigorian was absent due to illness, and displeased that not all of the facilitators appeared for the meeting. After a few minutes, he closed the meeting, and Avetian and Kucharzak, assisted in translation by Karapetian, continued the meeting in the administrative offices for the condominium program. Each district then reported on its area of responsibility. The following is a summary of the reports:

a). Shengavit District

The district is working with the residents and providing information on the condominium program. Their instructions are to seek out buildings in which there are owners who are interested in a voluntary conversion to condominium ownership. This does not mean that the building has less than 50 percent of the units privatized, rather is a policy to identify apartment communities where the residents are interested in the condominium program and are willing to move toward registration as a condominium association. It was reported that the facilitators have had several meetings with five potential associations. The facilitators keep minutes of the meetings, and a registration package for one association is ready to be presented to the city office

of the state registrar.

Data:

- Ē The district contains 420 buildings.
- Ē Currently, 33 buildings are included in the five potential condominiums being assisted by the facilitators.

Problems:

- Ē There is concern and unrest about the future of the *Zshek* technicians.
- Ē Assistance is needed from the city architects in defining the boundaries of the proposed condominiums. (What would later become a frequently expressed concern regarding the optimal size of a condominium prompted a lively discussion without resolution.)
- Ē The residents and the *Zshek* employees have expressed concern as to how the *Zshek* will be compensated after the condominium is formed and the former per square meter "rent" will then be paid to the city as a housing tax.
- Ē The residents are concerned that they do not have space for an office from which to staff and administer the needs of the condominium.

b). Khorherdain District

The district has submitted three packages to the Yerevan City Council to issue a Decision of the City allowing for the registration of the condominium association under the provisions of the Governmental Decision on Co-Ownership Entities for mandatory formation of condominium associations.

Data:

- Ē There are 980 buildings in the district. This is the largest district in the city.
- Ē The facilitators are working with a total of

thirteen potential associations containing a total of 70 buildings.

Problems:

No new problems were mentioned, but the representative concurred in the problem areas previously discussed.

c). Spandarian District

The facilitators have submitted three complete registration packages to the Yerevan City Council for issuance of a Decree allowing for the registration to proceed. The facilitators have video taped one of the organizational meetings.

Data:

- È The district contains 420 buildings.
- È The facilitators are working with the three associations that have submitted packages to the city council. The three proposed condominium associations contain 22 buildings. The facilitators are not preparing other apartment communities for condominium registration pending the decision of the Republic to amend the decision by removing the conflict that exists between the Government Decision on Condominiums and the non-profit regulations of the Republic.

Problems:

- È "People in general are against the condominium concept."

d). Shahumian District

The facilitators are working with three potential condominium associations and have submitted the registration documents to the city council. The city has approved one of the proposed condominiums and the facilitators are still waiting to hear of the City

council's decision on the other two proposed associations.

Data:

- È There are 800 buildings in the district.
- È The facilitators are working with three associations. The first association is comprised of seven buildings, the second of five buildings, and the third is a one building association.

Problems:

- È The owners are in need of office space from which to operate their association.

e). Erebuny District

The facilitators are working on three condominium packages. One association has elected its officers and has submitted its package to the City Council for a Decision.

Data:

- È The district has 720 buildings.
- È There are 16 buildings contained in the three condominium associations they are working on.

f). Arabkir District

There are two potential condominium associations in the making within the district, neither of which is far enough along to be submitted to the City Council.

Data:

- È There are 527 buildings in the district.
- È There are four buildings in each of the two condominiums being processed, and another 10 buildings in the early stages of formation.

Problems:

- È Office space is needed for the associations to conduct its business.
- È We need the city architect to issue a determination on the boundaries of the condominium clusters. "This is most important to our ability to do our jobs."
- È The owners continue to have questions as to how they can be expected to pay for the maintenance costs with their difficult economic situation. It was suggested that a transitional subsidy be initiated by the city to help the residents phase into full responsibility for the maintenance.
- È "We facilitators need information about the future of the Zshek."
- È There is a sense of urgency that the city hurry the process of financing and providing the building maintenance in order to preserve the nation's housing stock.

g). Missing Districts

1). Mashtots

Data:

There are 437 buildings in the district.

2). Myasnikian

Data:

The district contains 202 buildings.

The facilitators made a special request that a mini-workshop be held where they would be "walked through" the finances of the condominium. This request came from the discussions between the facilitators and Kucharzak where Kucharzak provided some examples as to how much money could be collected from residents based on the existing fee structures, with examples provided

as to the buying power of the funds in securing the services of trades people and accounting support.

4. Meetings With the Head of the Yerevan Office of Condominium Services.

a). The first of the long awaited meetings with Ter-Grigorian, head of the Yerevan Office of Condominium Services, was held with Kucharzak and Avetian present. When Kucharzak asked Ter-Grigorian to outline the areas of concern he saw in the operation of the OCS, he provided the following:

i). The people of Armenia are insolvent and cannot afford to pay the costs of maintaining their housing. As a result, they will not experience any difference in the appearance of their homes. The problem of housing in Armenia is a lack of sufficient income to pay for what the people need and want including improving their housing.

ii). There is concern about how to deal with condominium conversions especially with mixed ownership of units (some privatized and some government owned). Examples provided from the United States discuss or demonstrate examples of new construction condominium developments wherein a developer builds a complex designed as, and intended to be, a condominium operation.

Author's Note: Although the author provided examples of apartment complexes converted to condominium operation, the U.S. examples are built around rental property where tenants buy in or move out of the complex and seek housing elsewhere. Ter-Grigorian would like more examples from Eastern Europe or Russia where the condominium effort has been underway for a longer period of time and has experienced a similar starting point.

iii). There is a major problem with the population not having experience in assuming the responsibility for the maintenance of their housing. Publicity efforts must continue to educate the public and change their thinking to that of an owner. He joked that he and his

supervisor, Kamo Khachatryan, have been on TV and radio so much discussing the condominium program, they will be targets for someone who is upset with the program.

iv). There is an ongoing concern regarding the city maintenance employees. Ter-Grigorian made a calculated political/management decision when he assigned some of the maintenance engineers as program facilitators. He said that the maintenance employees and the general public understand that the maintenance department is to be phased out. As a result, the existing maintenance employees, including many of those newly assigned as facilitators are uncertain about their jobs and their future. Ter-Grigorian stated that it is this uncertainty regarding the future of the maintenance functions that prompted him to hire some of the maintenance engineers for the condominium facilitator positions. He stated that he had no choice. Had he hired new people to fill the facilitator jobs, the maintenance employees would have created "massive problems for him and the program."

v). The problem of promised incentives was discussed. Ter-Grigorian expressed concern that the top leadership of Yerevan including the Prime Minister have publicly promised the people that if they form condominium associations and pay their electrical bills, the city would provide around the clock electrical service. Ter-Grigorian said at the present time the city cannot provide more than an hour of electrical service a day for much of the housing. He is concerned about the effect on the credibility of the officials speaking about the program.

C. A STRATEGY FOR THE VANDAZOR OFFICE OF CONDOMINIUM SERVICES

A one-day visit to Vandazor was made where the Deputy-Mayor, Armen Hovanissian, and his assistant, Armen Bejanian, met with the ICMA condominium program working group consisting of Avetian and Kucharzak. This was the second visit to Vandazor by Kucharzak, the first being last summer at the seminar to train the city officials on the condominium program. As with all of the

cities exposed to the training, Vandazor was encouraged to open an Office of Condominium Services and begin undertaking measures to implement the program. In establishing the condominium program in Vandazor, the city set as the goal for the program the establishment of a system whereby the residents are given many of rights regarding the ownership and management of their housing, and with the rights come certain obligations. The Office of Condominium Services was opened by a decision of the Executive Committee of the City Council. The full council does not have to meet to permit the Executive Committee to establish "temporary structures," which are then ratified by the full council at a later time. The Deputy Mayor said that with the large city council, the full council does come together for many decisions including the approval of the annual city budget. In creating the Office of Condominium Services, the city took advantage of a directive of the Republic of Armenia that instructed the cities to cut the budgets of the councils. In complying with the reduction in personnel necessitated by the budget cuts, the city took two innovative measures: First, the money cut from the city council budget was assigned to the Office of Condominium Services; secondly, existing job descriptions for city council personnel were modified that added new duties required by the condominium program. The city then offered the new positions in the Office of Condominium Services to the people who would be laid off as a result of the council budget cuts. Several employees decided they could not perform the job duties required, or chose not to accept the new assignment and were laid off. Armen Bejanian was appointed as head of the condominium program, and two support staff positions were created. Although a separate office was not opened for reasons that will become more obvious later, the city has begun providing information on the program. The Deputy Mayor made a point of stating that the city of Vandazor made a conscious decision not to follow the pattern of the city of Yerevan which folded the Office of Condominium Service into the city maintenance structure. According to Hovanissian, the city of Yerevan took an easy out and assigned the condominium program to the city maintenance organization to preserve the jobs of the maintenance employees and minimize the city's morale problems.

Deputy Mayor Hovanissian provided an explanation of the progress the city made in preparing for the implementation of the program and identified some of the problem areas that have been identified. Typical of Vanadzor's professional approach to city management, the ICMA project working team were shown a detailed map that has identified 86 buildings that have over half of their apartments privatized and, therefore, are eligible for mandatory

condominium formation. Also delineated on the map was a demonstration condominium "neighborhood" site showing the buildings and the electrical, water and heating distribution system servicing the site. A five building site containing 79 apartments within the larger demonstration area has been selected to initiate the program.

A compact informational brochure has been developed and circulated within the demonstration area and distributed to the public visiting the city offices. The city prepared an informational packet that includes a sample charter based on the ICMA model modified to accommodate local needs. The city had scheduled the organizational meeting with the demonstration site owners for the following day (the city was originally told that the ICMA team would be spending two days in the city and that the organizational meeting was scheduled to enable the ICMA team to attend. The schedule was intended to be a surprise designed to show the progress being made by the city). If all goes well, the city plans to have the condominium and three others presented to the office of the state registrar for registration in the first week of December.

The city is focused on decentralization of services, and that philosophy has led the city to the decision to not open a condominium program office within the city hall, but rather to explore the opening of a separate office that will house the condominium program and other existing and newly created programs, designed to improve the quality of life of the citizens. The city has entered into an agreement with the Yerevan State University whereby the university will open a satellite training center in the city of Vanadzor. The satellite training center and the city's housing service center will be located in the same building. It is the intention of the city to open the center as a separate public organization and later, once it has been operating for a while, complete the work necessary to establish the center as a separate legal entity intended to be economically and politically independent and self-sufficient.

The city is working on an application for a URASIA grant to open, equip and help operate the housing services center. The deputy mayor stated that the grant may be somewhere between \$25,000 up to \$250,000. The city plans on equipping the office with a large number of computers, and believes that more than \$25,000 will be required. In order to apply for a large grant, URASIA will require that another non-profit entity support the city's application. Vanadzor is hoping that ICMA will be that entity. The co-sponsorship will not require ICMA to provide

financial support. The request was discussed with Anlian, and he expressed doubt that the city will be successful in attracting a large grant from the URASIA foundation. According to Anlian, URASIA does not give grants to cities, rather to NGOs or non-profits. In addition, URASIA is looking for a demonstrated history of accomplishments from the potential grantee. A contingent from Vanadzor visited the ICMA offices when Anlian was attending the UN housing dedication ceremony. Kucharzak met with the delegation and explained ICMA's understanding of the grant process, and stated that ICMA Yerevan cannot obligate the agency to co-sponsorship of the grant application, but we would send the request to Washington DC if the city so requests. The city officials stated that they were knowledgeable of the conditions of the URASIA grant, and will begin immediately to take measures to establish the municipal nonprofit entity and assign to it the task of opening and maintaining the OCS. The city will continue work on the grant application and will submit the completed application to ICMA for their consideration.

The city envisions the following tasks related to the condominium program as priority tasks for the housing service center to perform:

È Prepare the charters for four types of housing communities:

1. Condominium communities
2. Single family home communities
3. Associations of state owned buildings

These are really condominium associations established in buildings where the owners chose not to establish condominium associations on their own.

4. Mixed communities

These are neighborhood communities that contain housing communities of two or all three of the above described community types.

È Establish a data bank for all residential activities. The city envisions a computer data bank that contains the following information:

1. A current census of the city. Currently the city has 80 percent of the needed data. The task will be to complete the data elements. The data would then be used to help identify which households are unable to pay the cost of housing and need rental assistance. The data would also provide information necessary to restructure the utility fees and create a more equitable system.
 2. Technical data on the infrastructure including the location of all underground utilities.
- È Tasks directly supportive of the condominium program that will be provided by the housing service center:
1. Provide all training related to the condominium program.
 2. Provide all registration assistance.
 3. Maintain a library and research center to study housing issues in other countries, especially NIS countries.
 4. Provide some legal services related to the condominium program, and arbitrate conflicts between the owners and the service providers.
 5. Prepare and train additional staff as needed including staffs of emerging condominiums.
- È Tasks that may be assigned to the center in the future:
1. Within two or three years, the center would serve as a cadastre office.
 2. Have a complete data base on all housing and residents in the city. This will provide the city with needed data as to which families cannot afford to pay their housing costs. In addition to determining the need for housing subsidies, the data will be used by the office to more accurately determine which families could afford to pay their housing costs but may not be paying.
 3. Maintain an inventory of the utility supply system. Currently, the lack of accurate data prevents

accurate budgeting for the city utility providers.

4. Cities are granted the right to levy local taxes. Vanadzor has not exercised this right, absent a system for accurately assessing and collecting the tax. On a related issue, the city plans to increase the existing tax on non-privatized dwellings as an incentive for residents to privatize their apartment before the end of the free privatization period ending December 31, 1996.

Innovations proposed by Vandazor to support the condominium program.

The city of Vandazor, like all of the other cities visited in conjunction with the condominium program, has identified the insolvency of many Armenians as the greatest obstacle to the housing reform program; however, unlike any other cities visited, Vandazor has undertaken measures to provide meaningful incentives to owners forming a condominium and designed a program that will benefit the city as well. The following is an summary of the two incentives discussed with the city officials:

E Real Estate Tax Exemption

The city has taken measures to have legislation in place by February 1996 that will give condominium associations the option of registering the ownership of the land along with the condominium building, or only registering the buildings. The Deputy Mayor explained that if the associations do not claim ownership of the land, then under Armenian law, the owners of the structures on the developed land are not required to pay real estate taxes. During the discussion the working group and the city representatives spent some time discussing the concept. The discussion delved into some of the options that could be considered that would protect the owners interests and provide the economic incentive intended by the city. In particular, the concept of long-term land lease was explored as an option. The city reported that under Armenian law, lease of the land, even without the payment of rent, would obligate the residents to pay real estate taxes. After the dialogue the ICMA working group was assured that the city had taken measures to protect the ownership rights of the condominium association, a protection that is intended to survive local political changes in the

future. The city has also provided a mechanism within the proposed legislation that would permit owners who opted for one option on the tax issue to change to the other tax classification. The legislation is intended to give the condominium associations additional funds with which they can maintain and manage their property.

E Utility Charge Rebate Program

The city proposes to offer a financial incentive to condominium associations which enter into an agreement with the city departments providing electrical, water and central heating services, whereby the association would agree to collect the utility fees from each of the association owners and pay the city for the services provided; and a second option whereby the association would agree to assume responsibility for the maintenance of the utility supply system on the property but outside of the building envelopes, for which the city would rebate a portion of the fees paid. The rebate would come in two forms. Under the agreement, the city would require that the association collect utility assessments from the individual members and pay the "master bill" to the city. For providing this service, the association would retain 10 percent of the money collected. Once the city posts the revenue receipts, the city would rebate an additional 5 percent of the total amount collected from the individual owners. The city would require that the fees earned would be deposited into a special bank managed reserve account. The second rebate would be provided when the city performs the accounting and, once assured that the fees have been properly collected, the city would rebate according to a sliding scale averaging 40 percent of the fees paid. This second rebate would also be deposited into the association's replacement reserve account established for this purpose. Each association would have a separate bank account. If a component of the utility system requires replacement, the association would contact the utility and arrange for the repairs. The city and the association would then both sign a withdrawal from the reserve account to pay for the work. If the balance of the account is insufficient to cover the repairs, the city would advance the needed money and collect the advance as the account builds over time.

The benefit to the association would be priority repair

attention from the city. The advantage to the city would be the assurance that if it performs the repairs, it would be paid. A second advantage to the city is the reduction in the administration of the billing system. Instead of accounting for individual apartment utilities, the city will now only have to perform record keeping on individual buildings. The system would self-police non-payers since the association would not receive the full rebate that they would otherwise be entitled to if all owners did not pay their assessments on time.

The program is a significant improvement from current and past practice. Under the existing system the city assesses the owners for utility services. The city then places all of the revenue received into a central account. Disbursement from the account is on a city determined, as-needed basis, often leaving residents who regularly pay the assessments without needed repairs. The proposed rebate incentive will help assure the owners that the money collected from the association would only be used in maintaining the association's utilities.

E Individual Metering of Utilities

The current practice of providing utilities is to individually meter electrical service and to assess a per person consumption fee for cold and hot water and hot water heating distributed through out the city from a central heating plant. In the opinion of the city officials, the basis for the assessments is not relevant and should be studied and reestablished in a manner that reflects the current consumption rate of the residents. While the review of the fee structure would greatly improve the citizens' perception of fairness regarding the utility system, the city would like to introduce separate metering of all utilities. The city is negotiating with the republic which controls the water distribution system in an effort to begin the restructuring of the water rates at the supply. If successful, the city would like to offer "wholesale" rates to condominiums installing master meters and handling the collection tasks.

The concept of introducing separate metering of the utilities was mentioned in both Yerevan and Vandazor, and is strongly encouraged by the author. The manufacture of the meters would be an excellent private business venture

for an existing foundry in Armenia, and would be a job-creating opportunity. If successful, Armenia may be able to export meters to other NIS republics.

VIII. RECOMMENDATIONS

As Armenia accelerates the housing reforms initiated six years ago as evidenced by the recent introduction of housing privatization and the implementation of a system for recording condominium associations, complementary elements of the housing reform program need to be initiated to support the established reform programs. The following recommendations have been identified by the author as the most frequently addressed during the many discussions with city officials, ICMA staff and residents:

- È Additional training should be offered to the staff of the Office of Condominium Services now that they have been hired and they have enough field experience to understand their responsibilities. Many of the questions that have been raised indicate that the material that was presented in the Yerevan State University courses 101 and 201 was not fully understood and a refresher course with more emphasis on community organization and "marketing" the program should be considered.
- È An "Owners Guide to Condominium Ownership" should be developed so accurate information regarding elections, rights of owners and techniques for competitive bidding of repairs is understood by the average privatized apartment owner. It is understood that the basic information regarding management of a condominium association and the rights of owners is contained in the 101 course offered by the Yerevan State University to presidents of condominium associations and to OCS personnel; however, an abbreviated text should be considered that will inform owners of the basics of condominium operations and their rights without requiring their attending the University course. This recommendation addresses the concerns that follow comments from the two Zshek administrators we interviewed who understood that they would automatically be given the maintenance work for the new

condominium associations and that the only change would be that instead of being a government maintenance operation, they would now be a private, for-profit enterprise, basically, an unregulated monopoly. The comments made by a district maintenance supervisor who oversees the *Zshek* operation and the condominium services staff assigned to the district, and who expects to appoint himself as the president of the condominium association to be formed in his maintenance district is a serious concern. The legislation clearly states that the officers are to be elected; however, if existing government bureaucrats either do not understand the legislation, or more likely, chose to ignore it to protect their fiefdoms, then the average citizen will have the information on their rights filtered by the existing officials who have had wielded considerable power over them and controlled the quality of their shelter for decades.

- È A related issue requires that the city move forward aggressively to set forth an official policy on the privatization of the *Zshek* and include therein a timetable for the transition. If the condominium program remains closely tied to the existing maintenance operations, the movement to privatize the *Zsheks* and to encourage a free enterprise competitive maintenance and property management industry in Armenia will be hindered, and the relationship between the owners and the maintenance operations will be so similar to the old system that the change will appear transparent.
- È A key element to the privatization of the maintenance and the creation of a property management and maintenance industry is the need to develop business incubators. The conversion to condominium ownership will create an enormous opportunity for entrepreneurs to establish businesses and use the skills that they have acquired in government service to meet the demand created by the privately owned housing. Prompt implementation of training and mentoring programs will assure, early on, that a competitive free market system for housing maintenance and management is the new way in which people contract for services.
- È The concerns raised by the facilitators regarding the need for the city architect to determine the boundaries

of the condominium property should be administratively dealt with and corrected or raised to a higher level of authority. It was also apparent that the Office of Condominium staff, the facilitators and the ICMA staff did not have needed information on the status of filed of requests for City Council Decisions authorizing the registration of condominiums or the disposition of the requests.

E A reoccurring concern questions the ability of the owners to pay the full costs of the maintenance and management of their buildings. Armenia should consider adopting a housing allowance program that will provide government housing subsidies to income tested families who are unable to pay the full cost of housing. For many families the housing allowance program would provide a necessary transition period from full government subsidized housing to fully private paid housing costs. At risk populations such as the fixed-income-elderly, the disabled and the very poor families will require long term subsidies; however, failure to address this area may result in a further decline in expendable income for most families as they struggle to meet housing costs. At risk families may become homeless as they become unable to pay the fees and assessments necessary for the condominium associations to perform even the most basic of maintenance and management functions.

E Improvements to the central administration office of the Office of Condominium Services need to be considered by the City Maintenance Department. The existing space assigned to the central administration should not continue if other office space is available. The office is difficult to find, located at the end of a narrow blind corridor. When electricity is not available, the windowless corridor is completely dark and hazardous. The location of the "pit" style toilet room at the opposite end of the blind corridor emits foul odors that fill the corridor and force the staff of the administrative offices to work with the door closed, thereby adding to the darkness and an unwelcoming feeling in the office.

The head of the Office of Condominium Services and the Office Manager each have a computer; however, the hardware used by the Office Manager should be upgraded

to handle the high volume of data files that will be generated as the condominium conversion program gets into full operation. ICMA should assist in researching the availability of software packages that could be used in establishing the data base for the program.

È A number of legal issues arose that should be addressed and, if warranted, introduced to the proper government jurisdiction for legislative action.

1. Legal authority should be considered to allow for the establishment of a legal basis for the formation and operation of Master Associations. Unless addressed, this will be a recurring problem when a number of buildings, often with mixed uses and structure types, share common areas.

2. The issue of the commercial spaces in forming condominiums needs to be addressed in the legislation. The existing Government Decree on Co-Ownership Entities addresses commercial space as "non-residential" and while allowing for inclusion into the association, the Decree prohibits owners from engaging in commercial enterprises. Condominiums should be allowed to include the commercial space and the basements and storage areas as part of the condominium property, and the association should be able to collect rent from the non-residential activities.

3. A review of existing statutes and the creation of new legislation regarding the ability of the condominium associations to pursue legal remedies for non-payment of dues, assessments and utilities should be considered. Absentee owners are a chronic problem throughout Armenia. Many apartments are privately owned but not occupied because the owner has taken up permanent residence in another country, or the owner owns several apartments and chooses to leave some empty for an indefinite period of time. In either case, the owners often do not make the required payments. On occasion, this results in frozen pipes, flooding and damage to adjoining units.

A system of condemnation proceedings and a court ordered sale of the unit should be considered in the case of recalcitrant owners.

4. A housing court should be considered. The newness of the legislation and the vast number of people who will now be living under new forms of housing ownership and responsibility will require that a specialized judicial system be available to arbitrate and decide on what will probably be an overwhelming number of issues and claims. Prompt disposition of cases could be achieved by a magistrate or a similar jurist whose caseload would be limited to housing matters.

IX. CONCLUSIONS

The program to encourage the formation of condominiums in Armenia continues to move forward at a remarkable pace. The local workshop instructors trained by USAID/ICMA have exceeded expectations and have added nine more cities to the original goal raising to 42 the total number of cities in Armenia where resident trainers presented a seminar to local government officials. It has been demonstrated that following the training, local governments are capable of implementing the condominium formation program with only intermittent support from USAID/ICMA. The success of the training and the prompt follow-through in initiating the registration of condominiums has moved Armenia forward in its housing reform program such that the other complimentary and necessary reform program elements must be introduced. Unlike earlier reform programs in other republics of the former Soviet Union, Armenia is more concerned about the quality of the condominium effort, and while working to accomplish numeric goals for registering condominiums, is poised to initiate the necessary support elements including:

- È The privatization of the maintenance program
- È The establishment of a legal basis for enforcing owners rights under condominium ownership
- È The creation of business incubators to create a free market housing maintenance and property management industry

- È The establishment of a housing allowance system to protect the housing access for at risk populations

Exhibit A

"H&H CONDOMINIUM" CO-OWNERSHIP
FOUNDING MEETING
DECISION

September 16, 1995

Yerevan

Decisions are made to:

1. Set up voting procedure for "H&H Condominium" co-ownership: one owner one vote.
2. Approve the Charter of Co-ownership with suggested additions and amendments.
3. Form an Administration with 19 members:
Garegin Sinanian, Stepan Grigorian, James Avetisian, Karlen Poghosian, Hovanes Hounanian, Robert Sahakian, Varazdat Malkhasian, Robert Zakoyan, Hranoush Baloyan, Nikolay Ghazarian, Styopa Haroutunian, Anzshik Abrahamian, Yurik Saroyan, Loaya Baginova, Karapet Shahinian, Arsen Saroyan, Gevork Gevorkian, Hrachya Gevorkian, Haik Zshamkochian.
4. Elect Haik Zshamkochian as a President of Co-ownership.
5. Specify the number of Audit Committee members. Lyudmila Blazsheyeva is required to form the Audit Committee in a week.
6. Define 5 year term for the Audit Committee, President and the Administration.
7. Determine the founding capital in the amount of 1.000.000 drams.
8. Reserve: 250.000 drams.
9. Make the monthly payments: 1/24 of the total monthly amount.
10. Specify a fine for the breach of payment terms in the amount of 0,05% for each late day.
11. Set up an office at the address Yervand Kochar 1, the space of former "Post-Express" co-op.
12. Approve the boundaries of co-ownership in accordance with appendix 4 and consider the non-residential areas which were not privatized by 9.16.95 as co-ownership property. 13. The President of co-ownership is required to:
 - a) Develop all the legal documents and submit those to the State Registrar for registration.
 - b) Submit the decisions of the meeting to the authorized bodies.
 - c) Receive the lease documents on non-residential areas from the executive authorities. The performance of this task should be completed almost in a month.
 - d) Receive the documents on residential areas from Zsheck in a month.
 - e) Organize office activities in a month.
 - f) Periodically inform co-ownership Administration on the performed activities.

Chairman -- Haik Zshamkochian
Secretary -- Karen Samsonian

APPENDIX 3

List of structure owners and their shares in the common property in percentage.:

Yervand Kochar 1

33 one room apt.	x	41,75m2	=	1377,75 m2
33 two rooms apt.	x	65 m2	=	2145 m2
35 three rooms apt.	x	76,9 m2	=	2691,5m2
Post office				196,4 m2
Studio				38,9 m2
Commercial store				56 m2
Elevator services office				26,2 m2

TOTAL - 6533,75

Privarized part

23 one room apt.	x	41,75 m2	=	960,25
29 two rooms apt.	x	65 m2	=	1885
24 three rooms apt.	x	76,9 m2	=	1845,6

TOTAL- 4690,85

Yervand Kochar 3:

31 one room apt.	x	35,1.m2	=	1088,1
31 two room apt.	x	54,7 m2	=	1695,7
36 three room apt.	x	69,3.m2	=	2494,8
5 four room apt.	x	92,1 m2	=	460,5
Office				74,8
Office				265
Bank				500
Studio				82

TOTAL - 6661,7

Privatized part

22 one room apt.	x	35,1 m2	=	772,2
20 two room apt.	x	54,7,m2	=	1094
22 three room apt.	x	69,3.m2	=	1524,6
3 four room apt.	x	92,1 m2	=	276,3
Office				74,8
Office				265
Bank				500
Studio				82

TOTAL - 4589,7

Vardanants 20:

6 one room apt	x	45,1 m2	=	270,6
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8 two room apt	x	76,4 m2	=	611,2
3 three room apt	x	79,1 m2	=	711,9
Sewing workshop	x			118,6,m2
Studio				76,4.m2
Closed balcany		10,8 m2		
Office				85,3 m2
Closed balcony		13,3 m2		
TOTAL				1898,1

Privatized part:

4 one room apt.	x	45,1 m2	=	180,4
5 tworooms	x	76,4	=	382
5 three rooms	x	79,1	=	395,5
Studio				76,4
TOTAL				957,9

Vardanants 22:

60 one room apt.	x	33,6	=	2016
60 two room apt.	x	56,7	=	3402
50 three room apt.	x	68,7	=	3435
Furniture store				705,8
Commercial store				144,2
Construction materials store				380,5
TOTAL				5285

Vardanants 24:

Semi basement:

3 two room apts.	x	107,9	=	323,9
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Ground floor:

1 one room apt.	x	45,4	=	45,4
3 two room apts.	x	89,7	=	269,1
1 three rooms apts.	x	105,8	=	105,8

1-3 floors:

6 one room apts.	x	45,6	.=	273.6
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THE CHARTER OF THE
H&H CONDOMINIUM
A NON-PROFIT, CO-OWNERSHIP ENTITY

I. GENERAL PROVISIONS

1. The "H&H Condominium," a non-profit, Co-ownership entity (henceforth "Co-ownership entity") shall be founded by the Co-ownership entity members, who are the owners of the residential units of the multifamily residential buildings, for the purpose of joint execution of management, maintenance, and servicing of the above-mentioned buildings.
2. The expenditures necessary for the maintenance and servicing of the parts of the common property of the residential building, for common use, (henceforth "common expenses") shall be provided at the expense of the members of the Co-ownership entity. Share of each owner in common expenses is proportional to the percentage value of his or her unit (residential or non-residential) area to the total residential area.
3. "Construction" shall mean a separate residential unit or a non-residential space of a residential building, which is owned individually by a citizen or organization and does not constitute a part of the Common Property."
4. "Common Property" shall mean all parts of a residential building, except the Constructions, and is under joint and indivisible possession, use, and disposal of the owners of the residential units (members of the Co-ownership entity). Common Property shall include all parts of a residential building, cellars, roof, staircases, galleries, elevators, utilities, improvements to the yard, etc.)
5. "Owner's Share In The Common Property" means the share of each member of a Co-Ownership entity in the Common Property which is inseparable from the Common Property, which is not detached from the separated ownership in a Construction, and which gives the right to vote in the Co-ownership entity. The share of an owner in the Common Property shall be proportional to the ratio of the area of his own Construction to the total area of all Constructions and shall be determined as a percentage or as a part from the whole. The whole real estate acquired by the Co-ownership entity, in the order defined by law, is the Common Property of the Co-ownership entity of owners.
6. Operation of a Co-ownership entity is regulated by the Law of the Republic of Armenia "On Enterprises and Entrepreneurial Activities," and by the Decision of the Government of Armenia #295 "On Approval of the Charter of Co-Ownership Entities (Condominiums)" and other legislative documents.
7. The Co-ownership entity is a non-profit legal entity, has a seal bearing its name and an operational and other accounts in banking institutions.

8. The Co-ownership entity has the right to gain profit from its property, and may spend its income only for purposes related to activities authorized by its Charter. The Co-ownership entity may form affiliates, in compliance with proper regulations, to provide for activities authorized by its Charter.

9. The Co-ownership entity is prohibited to be a member of for-profit enterprises or organizations.

10. The Co-ownership entity members shall be liable for the obligations of the Co-ownership entity within the limits of their interest shares determined by Item 5. of this Charter.

11. The following shall be the inseparable part of the Charter:

1. The postal address of the Co-ownership entity, and the description of the territory where the Co-ownership entity is formed (Appendix 1);
2. Description of each unit, members and dimensions (Appendix 2);
3. List of unit owners and interest shares of each owner in percentage values (Appendix 3);
4. Plan of the grounds of the Co-ownership entity (Appendix 4)

12. Name of the Co-ownership Entity is: H&H Condominium".

Address of the Co-ownership entity is: Yerevan-70, 1 Yerevand Kochar Street

II. THE FOUNDING CAPITAL AND THE RESOURCES OF THE CO-OWNERSHIP ENTITY.

13. The size of the founding capital of the Co-ownership entity is 100,000 drams. This capital is formed by the sum of the deposits of the founders of the Co-ownership entity.

14. The size of the deposits of the participants in the founding capital shall be determined according to Item 5 of this Charter.

15. Alterations in the founding capital shall be made upon the consent of the participants and upon additional payments by them or receipt of other revenues.

16. The participant shall be obligated to deposit his share of the founding capital by making monthly payments, the amount of which will be equal to 1/24 of the total amount. In case of failure to meet this requirement, the participant shall pay a daily penalty equal to 0.05 percent of the unpaid amount.

17. The resources of the Co-ownership entity shall be formed from:

- a). The deposits of the founders, periodical payments of the founders for the common expenses the amounts of which are determined by the General Meeting of the Co-ownership entity;
- b). According to the method defined in Item 5 of this Charter;
- c). Revenues determined in item 7 of this Charter;
- d). Revenues received from affiliates;
- e). Resources received from other sources permitted by law.

18. The Co-ownership entity shall create:

- a). An operational fund;
- b). Social fund;
- c). A reserve fund in the amount of 25,000 drams.

The reserve fund shall be used exclusively for the objectives and functions of the Co-ownership entity as authorized by its Charter.

- d). Other funds established by the General Meeting or the Administration.

III. THE MANAGEMENT OF THE CO-OWNERSHIP ENTITY

19. The highest body of the Co-ownership entity is the General Meeting of its members.

The General Meeting of the Co-ownership entity shall have a decision making authority provided at least 75 percent of the members are present. The decisions shall be made the simple majority of the votes of the participants of the meeting, if not regulated otherwise by this Charter or the Foundation Agreement.

Each member of the Co-ownership entity shall be entitled to transfer, at the General Meeting, his authorities to another person or have a representative attending that General Meeting.

20. The General Meeting of the Co-ownership entity shall be held at least once a year, no later than February 1 of the current year. If the meeting is not held within 15 days of the established date, then the authorities of the Meeting shall be transferred to the Local Council of Deputies until a General Meeting is held. Extraordinary General Meetings shall be convened upon the request of the President of the Co-ownership entity, 50

percent of the members of the Executive Board or the Audit Committee, or at least 25 percent of the members of the Co-ownership entity.

21. The following shall constitute the exclusive authority of the General Meeting of the Co-ownership entity:

- a). Confirmation of the Foundation Agreement of the Co-ownership entity and alteration thereof.
- b). Elections and recalls of the President of the Co-ownership entity and alteration thereof.

If the General Meeting does not elect the administration within a 15 days period, then an extraordinary meeting shall be convened. If the extraordinary meeting does not elect the Administration then the authorities of the General Meeting shall be transferred to the Local Council Of Deputies until the Administration is elected.

- c). Approval of the annual report of the Executive Board of the Co-ownership entity.
- d). Approval of the budget of the Co-ownership entity including the amounts of membership fees.
- e). Consenting to receiving loans.
- f). Conveyance or mortgaging of the Common Property of the members of the Co-ownership entity.
- g). Determination of the salary scales for the employed officials of the Co-ownership entity.
- h). Approval of the organizational structure of the Co-ownership entity.
- i). Determination of the necessity and the amount of additional payments to be made by the members of the Co-ownership entity.
- j). Termination and dissolution of the Co-ownership entity.
- k). Other issues.

22. The decisions on the issues stated in items a), d), e) and f) shall be made by a 75 percent majority of the votes of the members participating in the General Meeting.

23. The members of the Co-ownership entity must be informed of the up-coming General

Meeting and of its agenda no later than 10 days before the day of the General Meeting.

24. The Administration and the President of Co-ownership entity are elected for five year terms.

25. If the General Meeting does not approve the budget mentioned in Item 21 of this Charter, then the Administration will be authorized to approve it, provided that the budget amount does not exceed the previous year budget in comparable prices. If the General Meeting does not approve the first budget then the Administration will prepare and approve it.

26. The number of the members of the Executive Board is 19. It has the following functions:

- a). Act in the periods between the General Meetings and perform all the powers of the Co-ownership entity.
- b). Collect membership fees from resident;
- c). Consider claims and complaints of residents;
- d). Consider issues related to use of non-residential areas;
- e). Establish committees to assist operation of the Co-ownership entity;
- f). Approves the staff and the salaries of staff members.
- g). Determines the use of special assessments.
- h). Exercises other authorities, except for the issues which are the exceptional authority of the General Meeting.

27. Sessions of the Administration shall be held at least once a three month period by the on the call of the President. Extraordinary sessions will be held by the President of the Co-ownership entity, the members of its Executive Board or the Audit Committee, the members of the Co-ownership entity or the Local Council Of Deputies. If an extraordinary session is proposed but not held within a five day period then the initiators have the right to hold it themselves.

28. The nominee who receives the most votes during the elections of the members of the Executive Board shall become the President. In case of ties, decisions is made by a simple majority of votes. The President of Co-ownership entity is also the President of the Administration.

29. The President of the Co-ownership entity shall be entitled to:

- a). Represent the Co-ownership entity without a Letter of Attorney;
- b). Call sessions of the Administration;
- c). Supervise the operation of the Administration;
- d). Represent the Co-ownership entity in government organizations, court and arbitration, enterprises and organizations.
- e). Enter into contracts and financial transactions;
- f). Hire and dismiss hired employees of the Co-ownership entity;
- g). Be the authorities given by the General Meeting and administration;
- h). Exercise the authorities given by the General Meeting and administration;
- i). Have the ultimate vote for the situations determined in Items 21 f)., and 26 d).

30. The Audit Committee shall be elected by the General Meeting according to Item 21 of this Charter. It supervises implementation of decisions of the General Meeting, Administration, and the President, protection of property, audits the documents of the Co-ownership entity, implementation of the provisions of the Charter, gives conclusions on the annual balance sheet, statement of revenues and expenses, and is authorized to make financial audit of any aspect of the Co-ownership entity.

31. The Audit Committee shall consist of five members. The Committee Chair is the person elected by its members by a simple majority vote. The period of authorities of the Audit Committee is determined according to the method described in item 24 for the Administration and President. The members of the Executive Board of the Co-ownership entity and their family members cannot, at the same time, be members of the Audit Commission.

IV. THE RIGHTS AND OBLIGATIONS OF THE MEMBERS OF THE CO-OWNERSHIP ENTITY.

32. Only the owners of residential or non-residential units of the multifamily residential building.

33. Every owner of a unit (residential or non-residential) who has an interest share in joint Common Property is a member of the Co-ownership entity.

34. Every member of the Co-ownership entity shall enjoy the right to:

- a). Own, dispose and use his or her private unit, according to the current

legislation of the Republic of Armenia;

- b). Elect and be elected to the Administration of the Co-ownership entity;
- c). Receive information about the activities of the Co-ownership entity;
- d). Appeal to the courts, in the event the decision of the General Meeting of the Co-ownership entity, or its Executive Board encroach upon the rights of a member of the Co-ownership entity.
- e). Be the member of several co-ownership entities.

35. Every member of the Co-ownership entity shall be obligated to:

- a). Pay the required fees in the time limits, amounts, and manner established by this Charter.
- b). Protect the common property, not spoil or damage it;
- c). Participate in activities of the Co-ownership entity;
- d). support the execution of the objective and functions of the Co-ownership entity.
- e). Pay, beyond the established budget estimates, the expenses for the maintenance, use, and servicing of the non-residential space allocated to him.
- f). Pay upon the decision of the General Meeting of the Executive Board, the special purpose fees not included in the budget, needed for unanticipated expenses.
- g). Pay the penalties (fines) imposed for his failure to make timely payment of established fees.

36. A member of the Co-ownership entity cannot be partially or totally exempted from the payment of fees used for protection, repair, renovation and maintenance of the building.

37. The fact of the Construction owner's residence in another place as well as the fact of conveyance of the right to use the Construction to another person shall not exempt the owner from his obligations.

38. Before all units are privatized, the local government will be the owner of non-privatized units and the respective interest shares, and will have the corresponding right and obligations.

39. The tenants of the Constructions and other persons are obliged to observe the rules defined for maintenance, repair and service of the building, and the provision of the Charter of the Co-ownership entity.

40. Protection of the property and the interests of condominium members is guaranteed by the legislation of the Republic of Armenia.

V. THE MAINTENANCE, REPAIR, & IMPROVEMENT OF THE RESIDENTIAL BUILDING

41. Ordinary improvements to the common property may be made on the basis of a decision adopted by the General Meeting of the Co-ownership entity after approval of the annual budget of revenues and expenses.

42. Significant improvements (additions to the equipment and so on), may be made upon the decision approved by the General Meeting of the Co-ownership entity after approval of the annual budget of revenues and expenses, according to the method determined in the legislation of the Republic of Armenia.

43. Alteration of boundaries between adjacent units may be made upon consent of the owners of these units. In this case the interest shares will be recalculated after corresponding changes are made in the Charter. Approval of the General Meeting is not required in this case

44. Alteration of boundaries between Construction and the Common Property may be made only upon the consent of 75 percent of the members of the Co-ownership entity at the General Meeting, after corresponding changes are made in the Charter.

45. Every unit of the Co-ownership entity should permit the representative of the Co-ownership entity authorized by the Administration to enter his or her apartment if this is required for control, repair or renovation of the facilities.

46. If the owner of the Construction or any other person acting on behalf of the owner damages the Common Property or any other Construction, then he must repair the damage or cover the expenses of the repair.

47. Insurance of the Construction shall be provided by the owner of the Construction. Insurance of the Common Property shall be provided by the Co-ownership entity.

48. The Co-ownership entity shall have a new passport for the multifamily residential building and make a technical inspection at least once in a five year period.

49. For each fiscal year the Administration of the Co-ownership entity should present to the General Meeting, financial statements and the budget of revenues and expenses which is sufficient to cover anticipated expenses for service and maintenance of the Common

Property.

50. The Legislation of the Republic of Armenia may anticipate mandatory measures for the maintenance and utilization of the housing stock, the expenses necessary for the implementation of which, as well as the mandatory payment of those expenses by the appropriate owners must be necessarily foreseen in the annual budget estimate of revenues and expenditures of the Co-ownership entity.

51. The Co-ownership entity shall dispense the fees paid by the Co-ownership entity members for maintenance, repair, construction and reconstruction of real estate, for payment of borrowed loans and for salaries of the Co-ownership entity hired staff.

VI. THE COMMON EXPENSES OF A CO-OWNERSHIP ENTITY

52. The payments of the members of the Co-ownership entity anticipated by the annual budget estimate of revenues and expenditures shall be made every month no later than the tenth (10th) of the succeeding month.

53. Expenses of the members of the Co-ownership entity, related to the use of parts of the Common Property or land parcel assigned to their individual use shall be covered by the annual budget estimate of revenues and expenditures.

54. In case of delay of the payments anticipated by the annual budget estimate of revenues and expenditures a fine for each day of delay shall be imposed equal to .05 percent of the debt.

55. In case of non-payment of the debt by the Co-ownership entity member within three months from the due date of payment, the Co-ownership entity shall be entitled to appeal to a court of law.

VI. THE TERMINATION OF THE CO-OWNERSHIP ENTITY

56. The Co-ownership entity may be terminated in the following cases:

- a). In the event the land parcel on which the residential building is constructed is taken for government or public purposes.
- b). If a single owner remains in a multifamily residential building;
- c). If the multifamily residential building physically ceases to exist;
- d). Upon the decision of the courts.
- e). In other cases foreseen by law.

57. The property remaining after the dissolution of the Co-ownership entity shall be distributed among the members of the Co-ownership entity in proportion to their shares in the Common Property.

Exhibit B

**Republic of Armenia
October 20, 1995**

**Decision #39/11
of
the Executive Committee of Yerevan City Council of Deputies
on Organizing a Condominium in Buildings 1 and 3, Yervand Kochar Street
and 20, 22 and 24 Vardanants Street**

According to the Decision #295 of the Government of Armenia on Condominiums dated May 30, 1995, and based on the decision of the general meeting of owners the Executive Committee decides:

- . Organize a condominium in buildings 1 and 3, Yervand Kochar Street and 20, 22 and 24 Vardanants Street and name it “H&H” Condominium;
- . Assign the Department of Maintenance of Buildings and Structures of Yerevan City Council (headed by K. Khachatryan) be responsible for taking necessary steps to call a general meeting of unit owners within 15-days period, elect administration and president, and register the condominium;
- . Assign the State Department of Architecture and Urban Development (headed by V. Khojasarian), within 15-days period after the registration, allocate land plots under the buildings 1 and 3, Yervand Kochar Street and 20, 22 and 24 Vardanants Street and adjacent territories (yards, walkways, roads, recreation and green areas) for permanent use;
- . Assign the Department of Maintenance of Buildings and Structures of Yerevan City Council (headed by K. Khachatryan) to transfer the buildings 1 and 3, Yervand Kochar Street and 20, 22 and 24 Vardanants Street, basements, internal engineering communications, facilities in yards, mechanical, electrical, sewer, and other facilities, as well as other structures related to the buildings from the balance sheet of the Department to the balance sheet of the “H&H” Condominium;
- . Assign the Inventory Department of Yerevan City Council (headed by A. Bagratian) to make necessary records;
- . Assign Department of Maintenance of Buildings and Structures of Yerevan City Council (headed by K. Khachatryan) to organize and be responsible for implementation of this decision.
- . Assign Vice-Mayor R. Nazarian to be responsible for control over implementation of the decision.

Mayor of Yerevan
Secretary of the City Council

V. Khachatryan
A. Mkrtchian

Exhibit C

About Changes in the Organizational Structure of the Department of Utilization of Buildings and Structures

Department of Utilization of Buildings and Structures of the Executive Committee of Yerevan City Council will be converted into a State Enterprise of Utilization of Buildings and Structures.

The State Enterprise of Utilization of Buildings and Structures includes:

- a. 54 affiliates - Zsheks - in 8 administrative districts of Yerevan,;
 - b. 8 affiliates - Departments of Current Repairs in 8 administrative districts of Yerevan, accomplishing service and emergency repairs of the housing stock;
 - c. "Yerverelak" specialized affiliate of repairs of elevators;
 - d. "Jah" specialized affiliate of maintenance of electrical stoves and repairs of the electrical cabling systems in residential buildings;
 - e. A specialized supplier-affiliate;
 - f. Affiliate Zsheks will get the status of self-sustainable enterprises, have bank accounts and round seals. They will collect housing fees and fees for communal utilities from the areas which they serve. They will accomplish service, maintenance and repair of residential buildings in the area, make lists of buildings requiring capital repairs of heating, sewerage, electrical systems, roofs, and so on, be responsible for capital repairs and for provision of proper quality of repairs, will control work accomplished by contractors, provide documents on "propiskas" and other documentation to residents, have the right to be involved in entrepreneurial activities, however, getting the agreement of the head enterprise (State Enterprise), provide paid services to the community, and extra revenues generated from the latter activities will be used to maintain the area and to pay salaries to employees.
1. The State Enterprise of Utilization of Buildings and Structures has on its balance the residential housing stock of the city, except for cooperative buildings and buildings of enterprises and ministries. It will collect rents for rented residential and non-residential areas and allocate these amounts for maintenance and service of the housing stocks to districts (according to the areas of serviced territories); through the specialized supplier-affiliate it will provide materials for maintenance and repairs to other affiliates, control capital repairs, accomplished by production-technical departments; control work of contractors, which had been approved by Zsheks, will identify drawbacks, make recommendations for improvements, and control their implementation; provide administrative fines to employees and officials who have violated the discipline; control current repairs of the housing stock in districts, prevent illegal construction, and process the claims of residents.
 2. Affiliate Departments of Current Repairs will accomplish current repairs of residential buildings of the district according to claims received from Zsheks, and capital repairs according to the price-list approved by the State Enterprise for capital repairs. They will help to prepare buildings for the winter and eliminate emergencies in heating and

- electrical systems.
3. “Jah” specialized affiliate will accomplish maintenance, repair and renovation of electrical stoves, and capital repairs of electrical cabling systems in State-owned buildings (started with September 1, this will be funded by the residents), based on the claims received either by the State Enterprise or by Zsheks, according to the approved pricelists, however for electrical repairs the affiliate should always receive the approval of the State Enterprise. The affiliate will be self-sustainable and have their own balances. The affiliate will accomplish repairs and renovations of elevators in high-rise residential buildings, and from September 1, 1995, also will maintain and service elevators. It will be responsible for safety requirements for elevators. Capital repairs and renovations will be accomplished according to approved pricelists. The affiliate will eliminate emergencies in the area according to the claims received from Zsheks.

Exhibit E

Executive Committee of Yerevan City Council

**About Changes in the Organizational Structure of the Department
of Utilization of Buildings and Structures**
(presentation by K. Khachatrian)

In order to make changes in the organizational structure of Department of Utilization of Buildings and Structures and to implement Decision #6/13 of the Executive Committee of Yerevan City Council dated on February 24, 1995, the Executive Committee decides to:

1. Convert the Department of Utilization of Buildings and Structures of the Executive Committee of Yerevan City Council into a State Enterprise of Utilization of Buildings and Structures.
2. Approve the Charter of the State Enterprise of Utilization of Buildings and Structures.
3. Liquidate District Utilization Departments in Shengavit, Spandarian, Erebyun, Miasnikian, Arabkir, Shahumian, Mashtots, Khorhordain districts.
4. Assign A. Babayan, Head of Department of Socio-Economic Development to be responsible for the following:
 - 4.1. Establish a committee to organize liquidation of the above mentioned organizations and reallocate their funds;
 - 4.2. The committee should finish these activities before August 20 1995 and report the Executive Committee of Yerevan City Council about the results.
5. Assign K. Khachatrian, Head of the State Enterprise of Utilization of Buildings and Structures to be responsible for the following:
 - 5.1. Settle the problem of employment of employees of liquidated departments, offering them new positions according to the established method;
 - 5.2. Develop and adopt charters of affiliates of the Enterprise.
6. Department of Utilization of Buildings and Structures will operate according to its old status until it is registered in the State Registrar's office.
7. Assign Department of Socio-Economic Development (Head A. Babayan) and Department of Utilization of Buildings and Structures (Head K. Khachatrian) to be responsible for organization and implementation of this Decision.
8. Assign Vice-Mayors V. Vardapetian and R. Nazarian to control implementation of the Decision.

V. Vardapetian;
R. Nazarian;
V. Harutunian;
A. Babayan;
K. Khachatrian;
I. Nazarian;
K. Harutunian.

